

Introduced by Senator Corbett

February 23, 2012

An act to add Article 14.5 (commencing with Section 69800) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

SB 1289, as introduced, Corbett. Postsecondary education: private student loans.

Existing law establishes the University of California, California State University, the California Community Colleges, and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require a public or private postsecondary educational institution to make specified disclosures related to private student loans in financial aid material and private loan applications provided or made available by the institution, to distinguish private loans from federal loans in individual financial aid awards, and, for any private loan lender list provided by the institution, to provide general information on the terms of the loan available through the lender and disclose the reason for each lender's inclusion on the list. The bill would apply to the University of California only to the extent that the Regents of the University of California act, by resolution, to make it applicable.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Article 14.5 (commencing with Section 69800) is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 14.5. Private Student Loans

69800. A public or private postsecondary educational institution shall do all of the following:

(a) State all of the following in all printed and online financial aid materials issued or distributed by the institution to applicants for admission or matriculated students and with private loan applications provided or made available by the institution:

(1) Private loans are not guaranteed by the federal government.

(2) Private loans may cost more than federal loans.

(3) Federal Direct loans are available to students regardless of income.

(b) Clearly distinguish private loans from federal loans in individual financial aid awards by stating, for any private loans offered by the institution as part of the institution's award package, all of the following:

(1) The range of interest rates that may be charged on the private loan.

(2) Whether the rate is fixed or variable.

(3) If the interest rate on the loan is variable, the frequency of interest rate changes, the explanation for that rate change, and, if applicable, the maximum interest rate increase.

(4) Any and all fees associated with the assumption of the loan.

(5) An explanation that the interest rate on a private loan may depend on the borrower's credit rating.

(c) For any private loan lender list provided by the institution, provide general information on the terms of the loan available through the lender and disclose the reason for each lender's inclusion on the list. The institution shall also inform the student of his or her right to choose other lenders.

1 69801. This article shall apply to the University of California
2 only to the extent that the Regents of the University of California
3 act, by resolution, to make it applicable.

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